

# **Final Statement of Reasons**

## **Initial Fee for State Gambling License**

### **Proposed Title 4 CCR section 12341**

#### **PART A**

The California Gambling Control Commission ("Commission") is authorized to adopt regulations governing the operation of cardrooms (or "gambling establishments") in California. See, for example, Business and Professions ("B & P") Code sections 19811, 19824, and 19840.

Adoption of Section 12341 of Title 4 of the California Code of Regulations ("Fee for Initial State Gambling License") is mandated by recent legislative action.

Specifically, this action is needed to comply with a recently passed bill, which raises fees for gambling licenses held by cardroom owners. In the past, fees for both initial and renewal applications were set in statute. AB 1620/Klehs (Statutes of 2006, Chapter 721)<sup>1</sup> raises fees for renewal applications and also directs the Commission to set fees for initial applications in regulation. This proposed regulation would set fees for initial applications by incorporating the revised statutory fee schedule.

Since approximately 1998, the fee for initial issuance of a state gambling license has been set following the schedule found in Subdivision (c) of B & P Code section 19951. Currently, Section 19951(b)(2)(A) provides:

"The fee for initial issuance of a state gambling license shall be an amount determined by the division pursuant to the schedule in subdivision (c)." (Emphasis added.)

Section 19951(c) currently provides:

"The schedule based on the number of tables is as follows:

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<sup>1</sup> The chaptered bill is included as Attachment "A" to this Final Statement of Reasons.

- (1) For a license authorizing one to five tables, inclusive, at which games are played, two hundred fifty dollars (\$250) for each table.
- (2) For a license authorizing six to eight tables, inclusive, at which games are played, four hundred fifty dollars (\$450) for each table.
- (3) For a license authorizing 9 to 14 tables, inclusive, at which games are played, one thousand fifty dollars (\$1,050) for each table.
- (4) For a license authorizing 15 to 25 tables, inclusive, at which games are played, two thousand one hundred fifty dollars (\$2,150) for each table.
- (5) For a license authorizing 26 to 70 tables, inclusive, at which games are played, three thousand two hundred dollars (\$3,200) for each table.
- (6) For a license authorizing 71 or more tables at which games are played, three thousand seven hundred dollars (\$3,700) for each table."

Effective January 1, 2007, AB 1620 raises the fees paid for renewals of state gambling licenses, and requires the Commission to adopt a regulation setting the fee for initial gambling license applications. Effective January 1, 2007, B & P Code section 19951(b)(2)(A) provides:

"The fee for initial issuance of a state gambling license shall be an amount determined by the commission in accordance with regulations adopted pursuant to this chapter." (Emphasis added.)

Effective January 1, 2007, B & P Code sec. 19951(c) will provide:

- "(c) The schedule based on the number of tables is as follows:
- (1) For a license authorizing one to five tables, inclusive, at which games are played, three hundred dollars (\$300) for each table.
  - (2) For a license authorizing six to eight tables, inclusive, at which games are played, five hundred fifty dollars (\$550) for each table.
  - (3) For a license authorizing 9 to 14 tables, inclusive, at which games are played, one thousand three hundred dollars (\$1,300)

- for each table.
- (4) For a license authorizing 15 to 25 tables, inclusive, at which games are played, two thousand seven hundred dollars (\$2,700) for each table.
  - (5) For a license authorizing 26 to 70 tables, inclusive, at which games are played, four thousand dollars (\$4,000) for each table.
  - (6) For a license authorizing 71 or more tables at which games are played, four thousand seven hundred dollars (\$4,700) for each table."

The proposed regulation would conform to the statute by increasing the fee for initial state gambling licenses.

If this regulation is not adopted, the Commission may suffer a substantial loss of revenue due to inability to continue to collect fees from applicants seeking initial gambling licenses.<sup>2</sup> When a large cardroom changed hands earlier this year, for example, the new owner paid an initial state gambling license fee of \$96,000.

## REQUIRED DETERMINATIONS

### LOCAL MANDATE

These regulations do not impose a mandate on local agencies or school districts.

### REASONABLE ALTERNATIVES TO THE PROPOSED REGULATIONS AND REASONS FOR REJECTING THOSE ALTERNATIVES

No alternative considered by the Commission would be more effective in carrying out the purpose for which the regulation is proposed or would be as effective and less burdensome to affected private persons than the adopted regulation. The Commission is not aware of any reasonable alternative that

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<sup>2</sup> AB 1620 did not contain any transitional provisions which would have permitted continued collection of the initial fee pending completion of the nonemergency APA adoption process. Thus, this rulemaking action was initiated before the Governor signed the bill.

would permit continued collection of the license fee from a person applying for an initial state gambling license.

## REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The Commission is not aware of any alternatives to the proposed regulatory action that would lessen any adverse impact on small business.

### **PART B--Summary of and Response to Comments**

One comment was received, from the Division of Gambling Control, supporting adoption of the regulation, but suggesting that the term "gambling enterprise," as used in three provisions of the proposed regulation, be replaced by the term "gambling establishment." The Commission has incorporated this language in the proposed text. Because AB 1620 amended Section 19951 to replace the term "gambling enterprise" with "gambling establishment," the suggested change makes sense and constitutes a nonsubstantive change, which does no more than conform to the legislative change. A 15-day notice was not required because the change was nonsubstantive.

No comments were received from members of the regulated public.

No APA public hearing was scheduled; none was requested. However, this regulation was taken up at the Bagley-Keene public hearing held by the Commission on December 7, 2006. There were no public comments.

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